

## External Debt Burden: Contextual Analysis of Nigeria and Liberia

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### Abstract

Given the poorly developed capital markets, and the low capital formation, the available alternative for financing development plans by the emergent Third World countries, including Nigeria and Liberia, was external borrowing. From the content analysis, based on descriptive approach, it is arguable that poor debt management was one of the major problems that aggravated the economic crisis of the emerging economies. Thus, improving the external debt management of the referenced countries is central in this study. Nigeria and Liberia should therefore embark on a systemic overhaul of their debt management frameworks, including capital market institutions, among others, to improve debt sustainability, for economic development.

### Keywords:

External debt burden, Debt management, Debt relief, Emerging economies.

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### **Background to the Study**

External debt is the financial obligation that ties one party (debtor country) to another (lender country). It usually refers to debt that is repayable in currencies other than that of the debtor country. In principles, external debt excludes short term debts, such as trade debts, which mature between one and two years, or whose repayment would be settled during the fiscal year in which the transaction is conducted (Adebayo, 1993).

Upon the attainment of independence, less developed countries (LDCs) were confronted with the stark realities of underdevelopment. Given the acute shortage of the internally available resources, the challenges of financing economic development through the formation of various National Development Plans were enormous. It therefore became inevitable to resort to external sources of finance, if the objectives of accelerated development were to be achieved. The most readily available of the sources was external borrowing. The subsequent unhealthy situation created by the enormous debt burden has been a source of worry and a subject of continued analysis.

External borrowing in Nigeria was first contracted in 1958 when \$28 million was obtained for railway construction. Between 1958 and 1977, the level of foreign debt was minimal, because the debts were concessional from bilateral and multilateral sources, with longer repayment periods and lower interest rates. Fosu (2007) noted that soft loans constituted about 78.5 percent of total debt stock during the period. The collapse of oil prices in the 1970s, particularly in 1978, put severe pressure on Government's resources, necessitating overseas borrowing, to tackle the mounting balance of payments pressure, and to finance development projects. To give the legal backing to the new paradigm, Decree No 30 of 1978 was promulgated by the Federal Military Government. The Decree pegged total allowable external borrowing at N5 billion. Thus, in 1978, the first huge loan amounting to \$1 billion was obtained by the Government from the International Capital Market (ICM). This loan grew total external borrowing to \$ 2.2 billion (Anyanwu, 1997).

The spate of external borrowing in Nigeria increased with the entry of State Governments into the external loan market, and by 1982, Nigeria's loan stock had grown to \$13.1 billion (Anyanwu, 1997). By 1988, trade arrears amounting to \$9.8 billion accumulated due to Nigeria's inability to settle mounting import bills. A reconciliation exercise which took place between 1983 and 1988 with the London and Paris Clubs reduced the principal amount to \$3.8 billion, with an accrued interest of \$1.0 billion, bringing the total to \$4.8 billion and \$28 billion in 1998 and 1999 respectively, with the Paris Club constituting the highest creditor at a share of 73.2 per cent, while 75 per cent was owed to official creditors (Anyanwu 2001).

Nigeria became a heavily indebted country with total external debt stock of \$19.7 billion, as at December 2000, including arrears of \$14.7 billion and interest overhang of over \$5 billion. As at December 31, 2001, the debt stock grew to \$28.35 billion, about 59 per cent of Nigeria's Gross Domestic Product (GDP) and 154 per cent of her export earnings. By 2012, following the forbearance by the creditors, the external debt figure dropped to \$10.076million. To be sure,

Nigeria's external debt rebounded, with a rise to \$18.91 billion at the end December, 2017 (Debt Management Office).

In Liberia, several foreign loans were procured by Government. These loans virtually mortgaged Liberia to foreign lenders, a times requiring Liberia to relinquish cabinet seats and customs revenues to foreign powers, Chenery (1966) This type of financing was dangerous for Liberia, given the economic fragility of the country. In order to break away from the unsuitable financing option, Government initiated moves to encourage foreign direct investment, by enacting laws and regulation favourable to foreign investors.

The danger posed by mounting unserviceable external debt is of historical and economic significance and forms a basis for concern, given its implications for the survival and growth of Nigeria and Liberia. The view is that a study of this type is essential as a panacea for mitigating future economic pitfalls emanating from debt pressures. The choice of Liberia for a comparative study is underscored by the country's philosophy rooted in American tradition, in contradistinction to Nigeria's British history and philosophy. This choice forms the departure of this from other cross-country analyses.

### **Objective of the Study**

Given the devastating effects of a poorly conducted external debt on the survival and growth of a nation, this study seeks to critically examine the implications of public external debt burden and management for the growth and development of the economies of Nigeria and Liberia. The specific objective is to analyse the key institutional variables in external debt management, and to suggest policy options.

### **Statement of the Problem**

Available literature and published studies on external debt recognise the role of public borrowing option in financing economic development in Third World countries, when properly conducted. The studies however failed to analyse the effects of the institutional variables which inhibited the proper conduct of external debt in Nigeria and Liberia. The central problem of this study therefore, is that the institutional variables which were critical in the external debt management of the study countries and their relative contributions to the debt burden remained unexamined. This study is therefore instituted to address the observed analytical inadequacies. The rest of this paper, which focuses on Nigeria and Liberia, is divided into four Parts: Part I examines the theoretical basis and methodology; while Part II a review of the literature. Part III examines the debt implications; while Part IV.

### **Theoretical Consideration**

A combination of the dependency theory and the structural-functionalism is adopted, because of their relevance in explaining the employment of external debt by the Developed Countries (DCs) as an instrument of sustaining the dependency relations with primary producing countries. The structural-functional theory is however useful in understanding the effectiveness or otherwise of the debt management structures in achieving their mandate of external debt management.

The characteristics of the analysis of dependency theory are found in the work of Andre Gunder Frank, the most influential of the dependency theorists. Frank argued that there has been a development of underdevelopment outside of Western Europe, North America, and Japan as a consequence of emerging relationships among political-economic formations which were brought into being as capitalism expanded.

Thus, to Frank,

*....the expansion of the capitalist system over the past centuries effectively and entirely penetrated even the apparently most isolated sectors of the underdeveloped world. Therefore the economic, political, social, and cultural institutions and relations we now observe there are the products of the historical development of the capitalist system no less than are the seemingly more modern or capitalist features of the national metropolis of these underdeveloped countries.*

*In other words, for the period of time that capitalism has formed the dominant mode of production and distribution in the world, the most important fact about any nation has been its relations with other nations.*

The value of the dependency approach, therefore, lies in its recognition that development and underdevelopment have taken place in the context of the growth of capitalism as a world system. The approach usefully analyses relationships between nations and sees both development and underdevelopment as historically observable consequences of those relationships; and it attempts to be holistic in its perspective. The particular success of the approach lies in its view of underdevelopment as a product of the domination of one national economy by another. In its applicability therefore, Frank's dependency theoretical proposition exposes the historical development of capitalism and its covert holistic domination of the Third World actualized through strangulating economic, social and similar ties, including external debt 'peonage'.

### **Research Methodology**

The analytical approach is largely descriptive, given the historical nature of the study. The method adopts a content analysis of the existing variables in external debt management in the referenced countries. Similar approaches were adopted by Akinsanya, et al (2017) and Isijola (2017)

### **Review of Literature and Analytical Framework**

#### **Nature of the External Debt**

During the early years of her existence as an independent nation, Nigeria was not classified as a debtor nation. Instead, she was appropriately classified among the rich countries. She therefore had little or no reason to borrow. Indeed, Nigeria successfully prosecuted the Civil War from 1967 to 1970 without procuring a foreign loan. General Yakubu Gowon, Head of State (1966-75) was reported to have said during the early 1970s that Nigeria did not have cash problems; rather, the problem was how to utilize the money in her vault. Because it was awash with petro-dollars, following the Organization of Petroleum Exporting Countries (OPEC)'s

oil price windfall of 1973, borrowing by Nigeria was not necessary before 1978. During this period, Government pegged external borrowing at a manageable ₦1.0 billion. Over time, Nigeria's vault gravitated towards emptiness and the need to seek foreign loan arose. Thus, in 1981, Nigeria entered the league of debtor nations.

Nigeria's rendezvous in the company of debtors nations began with the decision of the military Head of State, General Olusegun Obasanjo, to raise the ceiling on external debt from ₦1.0 billion to ₦5.9 billion in 1978 (Babawale, 2007). In no time, Nigeria was caught up in crippling foreign debt crisis that compromised its economic progress. In consequence, the welfare of the citizenry dwindled. For example, from 28 per cent in 1980, the poverty index took a leap to 66 per cent in 1996 and further rose to about 70 per cent in 2000, (Tamara, 2003). By UNDP estimates, about 65 million Nigerians lived on less than one dollar per day. The wealth of the nation became concentrated in the hands of a few in the rich class, while an average of three million people gravitated into the labour market annually, (Johnson, 2007).

In their editorial of November 3, 2004, the "Picture of Nigeria's Debt Crisis" reported that Nigeria... "borrowed \$11 billion and had so far paid back \$32 billion, while still owing \$34 billion". In effect, every dollar borrowed had been repaid almost three times over; yet about three times the initial amount borrowed is still being owed. Indeed, creditors are having their cake and eating it in a vicious arrangement designed by the International Monetary Fund (IMF) and its allies, to stifle growth and development in Nigeria and other developing countries. Very worrisome was the misapplication of the loan proceeds. Although the purpose was often stated as developmental, proceeds were often diverted for other purposes. Besides, the procedure for contracting foreign loans was often unclear and secretive, (Aluko & Arowolo, 2010).

Generally, the causes of Nigeria's external debt can be isolated into six major areas, namely inefficient trade and exchange policies, adverse exchange rate movements, adverse interest rate movements, poor lending and inefficient loan utilization, poor debt management practices, and accumulation of huge arrears and penalties. Inappropriate monetary policies also contributed significantly to Nigeria's external debt problems. For a very long period, little or no conscious effort was made to imbibe the financial discipline necessary for effective mobilization of domestic savings. The negative real interest rates which prevailed for a long time in the financial markets increased the dependence of Nigeria on external loans and encouraged capital flight. Given the centrality of the human factor, the focus of this analysis is on debt management institutions and practice.

The Liberian economy followed her political trajectory. Liberia entered numerous concessions, particularly in 1926, when an agreement for a one million-acre concession with the Firestone Rubber Company which neutralized the rubber monopoly by Europe was signed. Other subsequent concessions included those signed with the American-Swedish-Liberian consortium, known as LAMCO (Liberian-American Company), and the German-Liberian Mining Company. These concessions moved Liberia's economy from rubber to iron, a development that tripled iron exports from \$20 million to \$106 million during 1957-1966. In

terms of revenue, earnings grew from \$25 million to \$48 million from 1959-1966. In the 1980s, through the 1990s, post-war Liberia's economy faced numerous challenges that necessitated external aid, Chenery (1966).

### **External Debt Burden**

Two factors led to the sharp increases in Nigeria's external debt: one, the entrance of State Governments into the external loan market; and two, the substantial decline in the share of the loans from bilateral and multilateral creditors, and the consequent increase in borrowing from private sources at stiffer rates. Nigeria's debt crisis started at a tolerable level in 1958. By 2003 when the Paris Club demanded \$3 billion annual debt service payment, trouble began. Dr Ngozi Okonjo-Iweala, then Minister of Finance, considered the payment economically unsustainable (Iyoha, 1996). Nigeria therefore commenced negotiation with the Club. The \$18 billion debt cancellation for Nigeria in 2005 by the Paris Club and the subsequent settlement of some outstanding debt reduced the total external debt substantially.

Available evidence, particularly from Africa, Asia and Latin America, show that most developing countries resort to external borrowing because of low domestic private savings arising from low per capital income and Government fiscal deficits. Consequently, the burden of external debt often aggravated the problems of underdevelopment, and further discouraged foreign direct investment without which the desired level and rate of growth and development may be difficult to achieve. Since the first half of the 1980's when Liberia sought and obtained four Paris Club and two commercial bank rescheduling, the national debt problem had been virtually pushed under the rug, with no effective Government plans to address the growing debt burden of the country. An IMF Staff Country Report in April 2000 indicated that arrears of public external debt rapidly accumulated, reaching a high of \$50 million in 1984, and further rising to \$863 million in 1988. By 1989, total external debt stock of Liberia had peaked at \$1.8 billion (or 164 per cent of GDP), from \$726 million (or 75 percent of GDP) in 1982, Deshpande (1990). Over the same period (1982-88), the country's debt-service payments had ballooned from \$45million (9 per cent of export earnings) to \$197 million (40 percent of export earnings).

The outbreak of the civil war in the 1990's further worsened the national debt profile, as successive interim and provisional Governments almost abandoned debt-service payments, resulting in rapid accumulation of arrears. Apart from in rare occasions, such as the payment of one million dollars made to the IMF in 1994 by the Transition Government, Liberia avoided her debt problem. For example, Taylor's Government paid only \$50,000 monthly to the IMF. As a result, external debt accumulated and climbed to \$2.6 billion at the close of 1999. This figure was generated by the IMF staff and Liberian Government officials as a provisional estimate pending a comprehensive review of the external debt portfolio. Later sources put the country's debt figure at \$3.5 billion. Another key issue about Liberia's debt was that almost all of it \$2.6 billion was accumulated arrears. This made the problem more worrisome because it meant that most of the debt was past due.

Whatever the precise amount, Liberia's external debt became unsustainable and problematic. It is important to note that the above analysis excluded Liberia's domestic debt of \$120 million, 22 per cent (or \$26 million) of which was owed by the defunct National Patriotic Reconstruction Assembly Government of Charles Taylor, Serieux (2001). The debt refers exclusively to the approximately \$3 billion which Liberia owed to foreign entities (over 50 percent to multilateral institutions; about 30 percent to bilateral; and 15 percent to commercial banks). This level of external debt, given Liberia's low income, made the debt indicators of the country worse than the average indicators of the total Sub-Saharan Africa (SSA) countries and those of the Heavily Indebted Poor Countries (HIPC). Indeed, Liberia's 1999 debt-GDP ratio of 570 percent was five times the average debt-GDP ratio (111 percent) of all SSA countries, and it was more than 10 times that of the HIPCs at only 53 percent, IMF (2000).

Such a dismal external debt profile was bad for the health and autonomy of any country's economic management. Even the very stable and capable Government must work very hard under such intense debt pressures to extract any meaningful debt relief and economic policy concessions from international creditor institutions and foreign Governments. Those African governments with the semblance of stability, effectiveness, and national purpose were able to consistently engage international creditors and foreign governments in negotiating possible solutions for their debt and other economic problems. Based on their political, administrative, and technical capacities, they were likely to be more credible in international negotiations than those without such capacities, such as Liberia.

### **Implications of Debt Burden and Strategies for Debt Management**

It is believed that the growing national debt against the background of declining and/or unstable foreign exchange earnings has serious consequences for Nigeria's economy. But the crucial issues to resolve, writes Anyanwu (1999), are how to determine the extent of Nigeria's debt burden; and how the burden affects the capacity of the economy to achieve substantial economic growth and development. Answers to these questions are preferably based on some principal indices. These standard indicators for measuring the burden of external debt, among others, include the ratios of the stock of debt to exports and to Gross Domestic Product; and the ratios of debt service to exports and to government revenue. It is common observation that debtor-countries have too much burden to bear. Thus expending as much as 70 – 90 per cent of export earnings on debt servicing implies that little is left for the countries to perform their constitutional obligations to the citizenry. Greene (1989) observed that public debt had no significant effect on the growth of Nigeria's economy because the funds borrowed were not channeled into productive ventures, but were diverted for private uses. He suggested further that for the gains of debt forgiveness to be realized, the war against corruption should be fought totally.

Another side effect of the debt crisis is the external control and manipulation of the domestic economy. In furtherance of the execution of the conditionality in the host country, officials of IMF and other Western capital institutions often invade and take over the economic policies and administrations of debtor-nations' banking and financial systems. In this regard, the experience of Liberia remains unpalatable. Import earnings are strictly monitored, and this is

capable of significantly increasing the plight of the domestic populace. The overall effect of the above on the development of the debtor country is often the plunge of the economy from bad to worse conditions. Debt burden, generally, increases Africa's dependence on the outside world, slows her prospects of economic recovery and growth, jeopardizes the stability of the government and increases the poverty of the Continent and her peoples (Hard, 1986).

The foregoing, put together therefore, raises another question of whether what Nigeria actually needs is debt relief. As it operates, debt relief is made to appear as if the West is doing Nigeria a special favour. This ought not to be so, for one reason, the deepening crisis and contradictions in Nigeria are largely attributable to decades of exploitation of Africa through the slave trade and colonialism; and for another reason, the years of marginalization and continuing exploitation of African resources through the neo-colonial enterprise plagued Nigeria and other Third World countries. It is in this light that the conception of debt relief, or debt forgiveness, offends (Ake, 2000; Ochonu, 2005).

In the 1980's, the management of external debt was the major responsibility of the Central Bank of Nigeria (CBN). A department was established to, in collaboration with the Federal Ministry of Finance, manage external debt. The management strategy and measures employed varied with the time and complexity of the problem. Measures adopted by Government as guidelines for further external borrowing included, among others:

1. Borrowing to achieve a positive Internal Rate of Return (IRR);
2. External loans for private and public sector projects to be sourced from the international capital market; while loans for social services or infrastructure to be sourced from the concessional financial institutions; and
3. Projects to be financed with external loans to be supported with feasibility studies which should include loan acquisition, deployment and retirements schedules; among others

Over the years, Government adopted some measures, including the under listed, to deal with the debt problem:

1. Embargo on new loans;
2. limits on debt service payments that involved retaining a portion of export earnings, to allow for internal development;
3. Debt restructuring; and
4. The establishment, in 2001, by the Federal Government of the semi – autonomous Debt Management Office (DMO) in the Presidency.

Overall, the operation reduced the London Club debt from \$5.8 billion to \$2.0 billion, including payments by Nigeria of \$2.2 billion. This also reduced Nigeria's total external debt stock significantly. Nigeria also agreed to several non-concessional rescheduling with Paris Club creditors, beginning in 1989. Rescheduling took place in 1986, 1989, and 1991 during stand-by arrangements up to \$14 billion of arrears and eligible medium-and long-term debts. In the context of continued weak oil prices and Government's payment priorities, rescheduling were followed by renewed arrear accumulation, while the overall debt stock continued to rise, as late/penalty interest were capitalized.



In the light of its continued debt-servicing difficulties, Nigeria's access to new credit remained extremely limited. Access to bilateral credit was denied, while borrowing from commercial creditors became diminished, very sporadic and at market interest rates. From 1993/1994 however, the African Development Bank and the World Bank lent to Nigeria on concessional terms, with total disbursement of about \$850 million over the period, to 2001, and with about 3 percent of the total outstanding at the end of 2002.

Government relied extensively on the rescheduling alternative, particularly under the Paris Club framework, to resolve debt burden. Under this arrangement, Government and creditor-countries agreed to reschedule the amount of \$4.5 billion in Paris Club I with maturity of over 11 to 20 years. Similarly, \$5.8 billion in Paris Club II with maturity over 15 to 20 years and \$5.4 billion in Paris Club III with maturity over 18 to 20 years were rescheduled. Unlike the previous Paris Club rescheduling, in the latter arrangements, Government was granted rescheduling from the official bilateral creditors not only for the principal repayment but also for the interest payment obligations. Government also rescheduled its bilateral external debt with non members of Paris Club countries and its commercial external debt to commercial banks under the London Club Agreement. In accordance with Paris Club I, as much as \$210 million of syndicated loans signed in 1994 were restructured; while in line with Paris Club II, as much as \$340 millions of syndicated loans signed in 1994 and 1995 were restructured. For the Paris Club III, as much as \$1.3 billion of the syndicated loans signed in 1995, 1996 and 1997 were successfully restructured.

Without doubt, the solutions and policy concessions derived by the Governments from engaging with international bodies were not the best. They nonetheless represented important and serious efforts on the part of the indebted countries to manage their debt crises and hopefully maintain some level of domestic control over the direction of their economic policies. On the other hand, when extreme political chaos, vulnerability, and ineffectiveness were superimposed on severe external debt crises, such crises were not only compounded but became the instrument for the demise of the domestic autonomy of economic policy. Many African countries, including Nigeria, almost lost control over their economic policies that way.

For seven years (1990-97), war and political chaos deprived Liberia of the available international debt management initiatives, including the most recent and current HIPC Initiative. While these international debt relief schemes were far from being satisfactory, some African countries utilized and benefited from them. Countries like Uganda, Mozambique, Cote D'Ivoire, Burkina Faso, and Mali either reached 'decision' or 'completion' points in the HIPC Initiative. Burkina Faso, whose Government sponsored mercenaries of war and mineral theft in West Africa, extracted some debt relief benefits from the international financial community, in the form of a 14 percent reduction in the net present value of its external debt, Fosu (1999). But Liberia, whose regime received protection from these mercenaries, did not even appear on the HIPC hemisphere. The country's relations with external creditors became so weak that one of the conditions set in the IMF Staff-Monitored Program (January-June 2000) was for the Government to improve such relations with the Fund and other creditors.

## **Discussion, Conclusion and Policy Options**

The discussion of the debt crises and relief management in Nigeria and Liberia centres mainly around the institutions, debt management; and political leadership. To be sure, this approach will provide the direction and focus.

### **1. Inadequate and Dysfunctional Institutions**

The immediate reaction of the Governments of Nigeria and Liberia to the realities of the enormous challenges posed by the scarcity of resources needed to prosecute the developmental objectives upon attainment of independence was massive resort to external borrowing. No clear evidence of Governments' efforts at developing the requisite fundamental institutions for mobilising the needed domestic savings for financing the various Plans were available. The existence of a strong and efficient capital market, for example, was lacking in either country until in the 1980s. Although semblance of stock exchanges and associated capital market activities existed, their depth and width were insignificant, relative to the sizes of the economies. Besides the shallowness and narrowness of the capital markets, reflected in the paucity and volumes of traded securities, the markets lacked efficiently and internationalization. Such market limitations exacerbated the problems of imperfection, capital formation and capacities, all of which slowed economic development.

### **2. Weak Debt Management Framework**

External borrowing commenced shortly upon attaining independence by Liberia and Nigeria. At the respective periods, and until the external debt crises raged, none of the countries had established the requisite credible and efficient institutional framework for debt management be it political, administrative or legal. In Nigeria, external debt management was conducted in a rather haphazard manner, with no clear institutional responsibility and direction. Until in 2001, when the 'autonomous' DMO was established, the conduct of external debt management was undertaken by an inconsequential department in the CBN, and an overbearing and meddlesome Federal Ministry of Finance. Even with the establishment of DMO, it was not clear that a reasonable level of autonomy was granted to and exercised by the agency. In the light of such constraint, the mandate of DMO was cosmetic, while the management of the agency was rudderless. The institutional arrangement in Liberia was not better. Due to lack of a strong debt management institution and establishment, it was easy for lenders to invade the sovereignty of Liberia, with threat of, or actual "overthrow" of Government.

One of the noticeable institutional shortcomings was the inadequacy of and weakness in the legal framework. Either due to inexperience, negligence or dereliction by Governments, enabling laws were either inadequate or non-existent, while extant laws had become outmoded and ineffective in providing the desired support and guide for the conduct of debt management in the respective countries.

In the absence of such requisite institutions, the debt management task of reconciliation, negotiation and debt relief procurement was herculean. In the heat of the debt crises therefore, Governments in panicky situations, experimented, even though of successfully, with ineffective laws and policies, to halt the drifts triggered by the situations.

### **3. Political Leadership**

Governments exhibited a lack of the will to deal with the fundamental issues in external debt frontally. Either for political patronage, exigencies, or for sheer lack of will, Governments remained confused, while the pressure from lenders over debt service mounted. No leader was up enough to leverage the argument that the deplorable debt conditions of the Third World countries were ascribable to the actions or inactions of the DCs. Critics of Governments ineptitude allege that for fear of political or economic sanctions, the leadership of the debtor-countries preferred to accept the mortgaging situations as a strategic imperative of economic and political safety and survival.

### **Conclusion**

External borrowing is inevitable in the lives of most nations, be the advanced, or emerging. When skilfully contracted and judiciously deployed, external debt can be a catalyst to economic development. When however, external debt is improperly conducted, it can be injurious, and can degenerate to an instrument of perpetrating underdevelopment, through the mechanism of foreign capitalist dependency.

The respective country experience of Nigeria and Liberia reflected undesirable external debt situations. The crises and burdens of external debt in the referenced countries were deeply integrated in the weak institutional arrangements, poor management and lack of political leadership.

### **Recommendations**

The following recommendations are proposed; arising from the analysis:

1. Nigeria and Liberia should accelerate the process of reforming their domestic capital markets, for increased depth, width, efficiency and internationalisation, in line with contemporary global standards. In this regard, regional stock exchanges should be established across the countries, to deepen the markets. Besides, the listing requirements of the capital markets should be liberalised, in order to encourage emerging enterprises desirous of accessing the markets, for long term financing. As a corollary, the efforts at developing the domestic capital markets should be reinforced with more conducive legal frameworks, capable of removing growth impediments. The proposed reforms will reposition the stock markets, for the onerous challenge of effectively mobilising domestic savings.
2. Governments should grant full autonomy to the debt management agencies. Training and re-training of the existing staff of the agencies and employment of additional but specialist ones who are better equipped with contemporary debt management practices should be prioritised, as part of the total overhaul. Such actions will inject new staff with the skills necessary for records keeping, debt reconciliation and liability establishment, the absence of which compounded the problems of debt management in the countries.
3. Mounting external debt puts the future generations at a grave risk. Given that Western lenders were vicariously liable for the adverse debt situations through extremely harsh loan conditions, resisting total liability (principal, interest and cost overrun) by

Nigeria and Liberia would have provided the impetus for negotiations and relief. To be sure, due to their disadvantaged position, these countries lacked the benefits of foresight while procuring the loans. Therefore, in situations of unforeseen loan default, arising from such technical inadvertence, the affected countries should have claimed some appropriate relief at the inception of the crises.

4. As noted by Greene (1989), public external debt had no positive impact on economic growth in LDCs, because loan proceeds were misapplied. Governments should therefore borrow to finance desirable programmes with positive economic and social returns that will favourably impact the welfare of the citizenry, present and future, and no more.

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